

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (1/21)**  
**BUTTER:** Grade AA closed at \$1.5550. The weekly average for Grade AA is \$1.5525 (-.0550).

**CHEESE:** Barrels closed at \$1.7250 and blocks at \$1.7575. The weekly average for barrels is \$1.6675 (+.1595) and blocks, \$1.7006 (+.1321).

**BUTTER:** Butter markets are unsettled. Butter producers and handlers across the country are commenting on how much cream is available. Some indicate that surplus cream offerings are heavier now than they were during the recent holiday period. Churning activity is quite strong at most butter facilities from coast to coast. Stocks of butter are building at many locations, although stronger than projected demand is clearing good volumes. Demand for butter is settling back to typical post-holiday levels, although stronger than anticipated by some. Retail orders are quite steady with food service demand seasonally active.

**CHEESE:** The cash cheese market is firm. Many in the industry are concerned that current cash cheese prices do not reflect actual supply and demand conditions and a major correction will be needed. Some traders feel that one or more traders not actually involved in producing or marketing cheese have been raising cash cheese prices due to the still limited supply of cheddar cheese eligible for sale on the CME. American variety offerings are tight to adequate. Demand is spotty and slowing for many producers. Current cheese production is fairly steady since the start of 2005. On January 14, CCC announced the sale of 246,558 pounds of barrels back to the trade at \$1.4725 per pound.

**FLUID MILK:** Fluid demand has been influenced by recent winter weather and the holiday on January 17. Milk intakes are steady to higher through much of the country. Colder temperatures in the Midwest and unseasonably warm and wet conditions in the Pacific Northwest are causing occasional production declines. Arizona is also having some wet conditions and lower receipts. In the Southeast, milk receipts are closer to in balance and few balancing plants are operating. California milk production continues to recover from the recent bouts of rainy weather.

**DRY PRODUCTS:** The NDM market is firm with prices unchanged to higher. Current domestic demand is good for the light available offerings. Exports continue to balance production with demand with some bookings made through February. The whey markets are steady. Domestic interest is fair to good. Drying schedules are about steady and spot offerings are limited. Lactose prices are steady and some feed account buyers are switching to lactose due to the tight supplies of whey and dry permeate. WPC is also firm though prices are steady. Supplies are extremely tight with movement of 34% predominately limited to contracted volumes. Some 80% WPC is available, though priced at a premium per unit of protein compared to 34%. Buttermilk remains steady to weak in light trading. Heavy churning continues to generate

good volumes of condensed and dry buttermilk. Supplies remain light to moderate.

**CCC:** During the week of January 17 - 21, there was no price support activity. The last NDM purchase under the price support program was made at the end of November.

**DECEMBER MILK PRODUCTION (NASS):** Milk production in the 20 major states during December totaled 12.4 billion pounds, up 1.0% from December 2003. November revised production, at 11.9 billion pounds, was up 1.2% from November 2003. The November revision represented an increase of 5 million pounds from last month's preliminary production estimate. Production per cow in the 20 states averaged 1,602 pounds for December, 6 pounds (0.4%) above December 2003. The number of milk cows on farms in the 20 states was 7.76 million head, 47,000 (0.6%) head more than December 2003, but 4,000 head less than November 2004. Milk production in the U.S. during the October-December quarter totaled 41.9 billion pounds, up 0.9% from the October-December quarter last year. The average number of milk cows in the U.S. during the quarter was 9.02 million head, 7,000 head more than the same period last year. Initial U.S. estimated milk production during 2004 (unadjusted) totaled 170.482 billion pounds, up 170 million pounds (0.1%) from 2003.

**DECEMBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS):** During December, about 6.9 billion pounds of milk were received from producers. This volume of milk is 30.8% lower than the December 2003 volume on a comparable market basis. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +0.9%.) About 3.9 billion pounds of producer milk were used in Class I products, 1.1% higher than the previous year on a comparable market basis. Calendar composition had a slightly negative impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilizations were; Class I = 57%, Class II = 15%, Class III = 13%, and Class IV = 15%. The weighted average statistical uniform price was \$16.00 per cwt., \$0.25 higher than last month, and \$2.43 higher than last year.

**FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for February 2005 is \$13.79, down \$2.86 from January. This price is derived from the advanced Class III skim milk pricing factor of \$7.97 and the advanced butterfat pricing factor of \$1.7438 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for February is \$7.38 and the Class II nonfat solids price is \$0.8200 per pound. The following are the two-week product price averages: butter \$1.5682, nonfat dry milk \$0.8892, cheese \$1.4790, and dry whey \$0.2481.

**\*\*\*\*SPECIAL THIS ISSUE\*\*\*\***

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

PRODUCT	MONDAY JANUARY 17	TUESDAY JANUARY 18	WEDNESDAY JANUARY 19	THURSDAY JANUARY 20	FRIDAY JANUARY 21	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	HOLIDAY	\$1.6000 (N.C.)	\$1.6600 (+.0600)	\$1.6850 (+.0250)	\$1.7250 (+.0400)	(+.1250)	\$1.6675 (+.1595)
40# BLOCKS	NO	\$1.6300 (N.C.)	\$1.6950 (+.0650)	\$1.7200 (+.0250)	\$1.7575 (+.0375)	(+.1275)	\$1.7006 (+.1321)
BUTTER GRADE AA	TRADING	----	\$1.5500 (-.0825)	----	\$1.5550 (+.0050)	(-.0775)	\$1.5525 (-.0550)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at [WWW.AMS.USDA.GOV/MARKETNEWS.HTM](http://WWW.AMS.USDA.GOV/MARKETNEWS.HTM) NOTE: CME NDM on Page 2.

## CHICAGO MERCANTILE EXCHANGE

MONDAY, JANUARY 17, 2005  
CME CLOSED - HOLIDAY

TUESDAY, JANUARY 18, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JANUARY 19, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.6600, 1 @ \$1.6050; 13 CARS 40# BLOCKS: 1 @ \$1.6950, 1 @ \$1.6750, 1 @ \$1.6625, 1 @ \$1.6600, 1 @ \$1.6475, 1 @ \$1.6450, 1 @ \$1.6425, 1 @ \$1.6375, 1 @ \$1.6350, 1 @ \$1.6325, 3 @ \$1.6300; OFFERS UNCOVERED: NONE  
BUTTER — SALES: 6 CARS GRADE AA: 1 @ \$1.6200, 1 @ \$1.6100, 1 @ \$1.5775, 1 @ \$1.5400, 1 @ \$1.5425, 1 @ \$1.5500; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.6000

THURSDAY, JANUARY 20, 2005

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.7100, 1 @ \$1.7200; BIDS UNFILLED: 1 CAR BARRELS @ \$1.6850; 3 CARS 40# BLOCKS: 1 @ \$1.7200, 1 @ \$1.7175, 1 @ \$1.7150; OFFERS UNCOVERED: NONE

FRIDAY, JANUARY 21, 2005

CHEESE — SALES: 5 CARS 40# BLOCKS: 1 @ \$1.7400, 1 @ \$1.7500, 1 @ \$1.7550, 2 @ \$1.7575; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.7250, 1 @ \$1.7200; 11 CARS 40# BLOCKS: 2 @ \$1.7550, 2 @ \$1.7450, 2 @ \$1.7400, 2 @ \$1.7350, 1 @ \$1.7300, 2 @ \$1.7200; OFFERS UNCOVERED: NONE  
BUTTER — SALES: 7 CARS GRADE AA: 2 @ \$1.5500, 1 @ \$1.5600, 1 @ \$1.5500, 1 @ \$1.5525, 1 @ \$1.5500, 1 @ \$1.5550; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.5600

**CME CASH NONFAT DRY MILK:** Extra Grade closed the week at \$0.9250 and Grade A at \$0.9375. (The last price change occurred January 20th.) The weekly average for Extra Grade is \$0.9150 and Grade A is \$0.9225.

## BUTTER MARKETS

## NORTHEAST

The butter market remains unsettled despite the gains seen during last week's trading at the CME. Churning activity in the Northeast is heavy. Excess cream volumes remain abundant. Anecdotal reports have last week's loads at some butter makers' plants not being unloaded for several days. Some balancing operations are also having more cream moving through their systems. Demand for packaged butter is settling back into typical, post-holiday levels. Retail movement is slow to fair at best. Food service orders are fairly steady, but down from November/December levels. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

## CENTRAL

The butter market tone is unsettled as the cash price dipped 8 1/4 cents at midweek. Butter producers indicate that cream offerings are heavier than they were during the yearend holiday period. In instances, butter producers are unwilling to even extend an offering price to a supplier due to the fact that they may own a load of cream that they really did not want or can handle. Most Central butter operations are operating near peak levels. Stocks of butter continue to build, although demand is stronger than many producers anticipated, thus absorbing sizable volumes of current production. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

## WEST

Demand for bulk and print butter has improved after the lull noted after the holidays. Prices for cash butter at the CME have either increased or held steady since December 22 until today, January 19. Prices there had gained 9 3/4 cents over that period of time, but lost 8 1/4 cents in one trading day. Some contacts are a little surprised at this much of a price decline happening in one day. Those manufacturers that had built up some inventory are indicating that stocks are now declining again. Cream offerings are variable in the West; probably heaviest in California. Imports of butter subject to licensing for 2004 total 15.2 million pounds, almost the maximum allowed. Imports of High-tier butter (above quota with a penalty) totaled 18.4 million pounds, substantially above the few loads brought in during 2003. Contacts indicate that more butter may have been brought in because of the strength in domestic prices, but it was simply not available for importation. Weekly CME butter inventories grew by 7.1 million pounds to stand at 29.1 million pounds (warehouse adjustment). Stocks have increased by 23.4 million pounds over the last four weeks. Last year for this week, stocks were 78.6 million pounds. Bulk butter prices range from flat to 3 1/2 cents under based on the CME with various time frames and averages.

## NASS DAIRY PRODUCT PRICES

## U.S. AVERAGES AND TOTAL POUNDS

	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
WEEK ENDING					
JANUARY 15	1.4789	1.4542	0.8916	1.5786	0.2484
	8,707,479	11,408,264	23,014,469	3,167,243	10,739,247

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are mostly higher and the market tone is unsettled. Contacts are surprised by the price increases seen at the CME last week. They were not surprised by the increases, but the size for the jumps was not anticipated. Blocks and barrels increased 13.75 and 15.0 cents, respectively. In the Northeast, cheese output is improving at some plants, steady at others. With the cheese price/milk price relationship more favorable than December, more cheese makers are back to regular schedules. Reports indicate that one cheese plant that expected to be down last week did in fact run four days. Some cheddar producers are replenishing aging program inventories, but the recent price increases are not always a welcomed thing when it comes to putting cheese in aging programs. Demand for cheese is holding up quite nicely in most sectors of the market.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6350-2.1500
Cheddar Single Daisies	:	1.5925-2.0675
Cheddar 40# Block	:	1.7100-1.9675
Process 5# Loaf	:	1.7175-1.9250
Process 5# Sliced	:	1.7375-1.9900
Muenster	:	1.8075-2.0100
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

## MIDWEST

The cheese market is about steady, though a weaker undertone is developing. The current supply situation depends on variety with offerings readily available on mozzarella and muenster. Supplies are mixed on cheddar and other American styles, ranging from still tight to showing definite signs of loosening. Current orders remain a mixed bag with some firms seeing increased volumes for Super Bowl and regular accounts while others remain steady at best. Some milk has been shifted from mozzarella production into American varieties to better manage milk supplies. CCC announced the sale of 246,558 pounds of aged barrels at \$1.4725 per pound with other cheese lots still available for purchase. Cheese production is generally steady. Cheese yields remain very good seasonally but are trending lower.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.6875-2.0500
Brick And/Or Muenster 5#	:	2.0300-2.2225
Cheddar 40# Block	:	1.9225-2.2650
Monterey Jack 10#	:	2.1000-2.2650
Blue 5#	:	2.4175-2.7500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8675-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.9500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE			
		:	
01/17/05	17,921	:	125,292
01/01/05	12,599	:	124,064
CHANGE	5,322	:	1,228
% CHANGE	42	:	1

## WEST

Wholesale cheese prices increased this week after holding steady for a number of trading sessions after holiday demand was covered. Some buyers have been hesitant to do a lot of restocking because they believed that prices might weaken during the first quarter. They are now revisiting that decision. Block cheese prices at the cash CME market have either increased or held steady since December 13. Since that time prices have increased 27 1/2 cents to stand at \$1.6950. Overall cheese supplies seem to be adequate, but very current natural material may be on the tight side. Some plants seem to be getting the milk that they need/want, others are definitely short. Milk supplies are not burdensome and some recent weather patterns have adversely impacted milk production in many areas of the West. Total licensed imports of cheese for 2004 are 276.0 million pounds, up 3.4% from last year and at 92% of the quota total. Imports of High-tier cheese (above quota with a penalty) totaled 46.0 million pounds, up slightly from imports in 2003.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.6625-1.9200
Cheddar 40# Block	:	1.6900-2.0425
Cheddar 10# Cuts	:	1.8700-2.0900
Monterey Jack 10#	:	1.8800-2.0400
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

## FOREIGN

Prices are unchanged on imported styles; higher on domestic styles. The market tone is mostly steady. Supplies of imported cheeses are reportedly becoming tighter for some types. Reports indicate that importers are not always able to find desired volumes in the country of production. This, coupled with the current, unfavorable currency exchange rates, has some importers looking to domestic producers for additional supplies. Imports of cheese subject to licensing during 2004 totaled 125.24 million Kg, 3.4% more than 2003. Imports of high-tier cheese during 2004 totaled 20.89 million KG, 1.4% more than 2003.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.2900	: 1.9500-3.4500*
Gorgonzola	: 3.6900-5.9400	: 2.4600-2.4900*
Parmesan (Italy)	: TFEWR	: 3.3550-3.4700*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.8900	: 1.9625-2.1850*
Romano (Cows Milk)	: -0-	: 3.1450-5.3100*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.9500-4.0900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

\* = Price change.

## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	29	0	51	0	48
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, December 2004 uniform prices: Northeast \$16.43, Mideast \$15.52, Southeast \$17.03, Florida \$18.00 and Western New York (a state order) \$15.78 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) December milk production in the 20 major states totaled 12.43 billion pounds, up 1.0% from December 2003. The following are the December-to-December changes for selected states: Virginia +4.2%, Pennsylvania +1.2%, Florida no change, Texas -0.6%, New York -1.3%, Vermont -1.4%, and Kentucky -1.7%. Milk production is steady to higher in the East. Florida's weather has cooled from the past few weeks and milk output has shown gains. Milk output is also increasing in other Southeastern states, while steady to occasionally higher in the Middle Atlantic and Northeast. Fluid milk supplies are not as long as they have been, but manufacturing plants in the Northeast remain quite busy. Less surplus milk is reported in the Southeast and most balancing plants are not operating. Several snow scares have been and are affecting bottled milk processing and sales. Snow is forecast for midweek and this weekend in the Middle Atlantic and New England areas and contacts report that most bottlers are ordering more milk in preparation for increased retail sales. Some butter/powder contacts report that milk is in better balance this week because of the above mentioned storms and the fact that some cheese plants are taking more milk now that milk and cheese prices are in a "better" relationship. The condensed skim market is little changed. Offerings are more than adequate for the slow to fair spot demand. High prices, in relation to NDM prices, continue to be a deterrent to wet solids sales. The fluid cream market is weak and prices are lower. Eastern cream suppliers report little spot interest and burdensome supplies. Many loads are finding their way into local and Midwestern churning facilities. It was commented that some butter makers, already flush with cream, did not want to quote a price for fear that the supplier would accept and ship the cream. Reportedly, ice cream and cream cheese production are seasonally slow. Some contacts wonder why producers of these products wouldn't want to build some relatively low-cost inventory while cream supplies are ample and relatively inexpensive. Spot prices are slightly lower despite the increase seen in last week's CME butter average. Multiples have declined from an already lower level on spot Class II sales.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.8969-2.0576
DELIVERED EQUIVALENT ATLANTA	-	1.9451-2.0898 M 1.9933-2.0255
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.8969-2.1701
PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS		
F.O.B. PRODUCING PLANTS:		
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	.9800-1.0000
NORTHEAST- CLASS III - SPOT PRICES	-	1.0600-1.1400

## M I D W E S T

Class I interest is fairly steady within the region with the usual stronger and weaker locations. Some extra volumes were available for manufacturing over the weekend with schools closed for the holiday observance on January 17. Sour cream, dips, and cottage cheese production is only about average. Manufacturing milk interest is uneven with some plant operators interested and others out of the market. Reported spot manufacturing milk prices range from around \$1.25 - 1.75, net over class, fob plant. Current milk offerings seem to be fairly close to in balance with demand. Cream demand was lighter and prices and multiples were generally lower. Most sales activity was occurring on the lower end of the range. Ice cream production is steady with some plants actively building inventory for warmer weather and others still on lighter schedules. Milk components remain strong seasonally though seem to be

trending lower. Current milk intakes are mixed from slightly lower to slightly higher. Cold temperatures and frequent high wind followed last week's melting and rain in some areas. The resulting ice covers many low areas and combined with minimal snow cover increases the risk of winterkill in alfalfa and winter wheat fields. Initial December milk production in selected Midwestern states compared with December 2003 is: Wisconsin, 1.842 billion pounds, down 10 million pounds (-0.5%); Minnesota, 679 million pounds, off 12 million pounds (-1.7%); Michigan, 530 million pounds, unchanged; Iowa, 299 million pounds, down 11 million pounds (-3.5%); and Indiana, 251 million pounds, up 4 million pounds (1.6%).

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JAN 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 49.00- 56.00	\$ 46.00- 51.00
REPLACEMENT HEIFER CALVES	\$300.00-550.00	\$290.00-420.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JAN 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 46.00- 57.50	\$ 46.00- 52.00

## W E S T

December milk production for the 20 Selected States totals 12.4 billion pounds, up 1.0% from a year earlier. Output for selected Western states compared to a year earlier is as follows: Arizona +6.8%, California +4.6%, Idaho +4.3%, New Mexico -5.5%, and Washington -1.5%. Production per cow changes from a year ago was negative for all of these states except California. Cow numbers were up in the first three states and down in the last two. Production for 2004 (unadjusted) for all of the U.S. totals 170.48 billion pounds, up 0.1% from 2003. CALIFORNIA milk output varies across the state and areas continue to recover from recent wet conditions. Southern California was hardest hit by rain and current milk intakes are commonly around 3 - 5% lower. However, California Department of Food and Agriculture data for November 2004 shows that just 11.5% of the state's milk is produced in Southern California. Therefore, the impact on total milk supplies in the state should be assessed accordingly. Warmer and dryer conditions have developed and dairies are attempting to dry out. There are concerns about cow health and future reproduction problems. Milk supplies in the Central Valley are mixed with some intakes slightly higher and others 1-2% lower. The influence of the wet weather is not expected to be long term. Milk intakes from dairies in the northern producing areas are steady to higher. Across the state, bottlers are noting a good call and increased demand for fluid milk for school and retail accounts. Cheese plants want additional milk for processing. The impact of the CWT program is noted in lower milk receipts for some processors. The effects of recent wet condition also are impacting ARIZONA on a limited basis. Some areas are noting minor declines. Drier and more seasonal conditions have developed. CREAM supplies remain moderate to heavy with the most being available in California. Buying interest is often light beyond contracted volumes and multiples were lowered to move product. Churning is active to process the cream. The CME butter price declined 5.5 cents over the past week to close at \$1.5500 on Wednesday, January 19. Cream multiples range from 108 to 122, FOB, and vary depending on basing points. Rainy weather and record warm temperatures have led to flooding in coastal areas of the PACIFIC NORTHWEST. Temperatures have gotten into the 60's and rainfall amounts above three inches have caused numerous localized problems. Transportation has been disrupted and muddy conditions have started to impact some herds west of the mountains. There has been very little snow pack buildup because of the warm temperatures and this may impact water supplies for the next crop year. Plant milk intakes seem to be about normal for mid-January. Manufacturers seem to be satisfied with their current supplies. Some did express some surprise at the butter and cheese markets moving so sharply in opposite directions and wonder if this action may impact the product mix. Conditions have been very moderate in UTAH and IDAHO since the heavy snows hit early in January. The milk flow is normal for January and most plants are indicating that they are about in balance on current milk supplies. Plants are not looking to shift milk into or out of their operations. Some milk producers indicate that they are having some problems accessing some hay supplies because of the snow and soft conditions in some of the fields.



**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices continue to trend higher on a firm market. Production is steady and generally light as condensed skim volumes move more readily to end-users rather than dryers. Demand is good with buyers generally unable to find supplies of aged or current production. Inquiries are predominantly from brokers. Speculation of whether NDM prices will reach \$1 is noted in the trade. With international movement beginning to wane, some traders suspect that more NDM may become available within the month of February. Low heat mostly prices and high heat prices for Report 3 in 2004 respectively were .8100 - .8550 and .8500 - .9450.

EAST: The market tone continues to show some firmness. Production levels are lighter at many Eastern plants. Surplus milk volumes are lighter in the Southeast and most of the drying plants have been idled due to the drop in surplus milk receipts. Recent snow storms plus the predictions of more storms this weekend have many Eastern bottlers adding on to their milk orders. This, and the reported increase in cheese output, is keeping drying schedules relatively light. Also, recent cold weather has caused natural gas suppliers to reduce or cut gas to some operations. Outages are expected to be short lived. The natural gas shortage notwithstanding, drying plant contacts have all commented on the fact that their milk receipts are lighter this week. Plants have balanced supplies of low heat NDM while high heat stocks are little heavier than desired. Contacts are a little surprised by the lack of demand for high heat NDM. Most contacts continue to see a firm to strong NDM market for the coming year. At an industry meeting earlier this week, a presenter suggested that low heat NDM prices will be well above \$1.00 this summer. With current output moving lower in the East, and supplies of the so-called government program powder becoming less of a factor in the market, prices above a dollar may not be an unrealistic prediction. Reports have resale prices of three-year old government NDM in the mid to upper eighties.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUMHEAT: .8975 - .9550 MOSTLY: .8975 - .9075  
HIGHHEAT: .9400 - 1.0400

**NONFAT DRY MILK - WEST**

Western low/medium heat NDM prices continue to trend steady to slightly higher. The market tone remains firm. Demand is good for the current light offerings. Direct exporting of low and medium heat powders continue to clear production and sellers are booking export sales through February. Production is active, but has backed off since the holidays. There is a good call for milk from both bottlers and cheese producers and less milk is available to be dried into NDM in some areas. Contract loads are moving well although there are some delays. Stocks are in balance at most locations. High heat prices are unchanged. The market activity remains light with seasonal interest very slow to develop. Producers have inventories for current and future needs. Drying schedules are light. In report 3, 2004, low/medium heat mostly prices were \$.7950 - .8100 and high heat prices ranged \$.8325 - .8500.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
LOW/MEDIUMHEAT: .8800 - .9300 MOSTLY: .8850 - .9000  
HIGHHEAT: .9000 - .9300

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 14	\$.8835	10,635,441	0
January 7	\$.8784	12,009,225	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices remain unchanged and nominal on a weak market. Demand is lackluster. Without buyer interest, some producers see no need in reducing their offering prices. However, at other locations, buyers are moving loads predominantly near the lower end of the range. Condensed skim supplies are readily clearing into ice cream facilities, reducing the production of dry buttermilk. Stocks of dry buttermilk are building at some locations. Prices for Report 3 in 2004 were .9500 - 1.0125.

F.O.B. CENTRAL: .8750 - .9550

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are mostly steady and the market tone remains weak. Production levels continue to increase as the churns in the East continue to operate at near capacity levels. Sales of liquid buttermilk are moderate to heavy and drying levels are only slightly heavier. Plant inventories are growing. Demand is slow to fair, at best. The Northeast price range remains nominal. A year ago, dry buttermilk prices in the Northeast were \$.8525 - .8800.

F.O.B. NORTHEAST: .9200 - .9400  
DELVD SOUTHEAST: .9500 - .9800

**DRY BUTTERMILK - WEST**

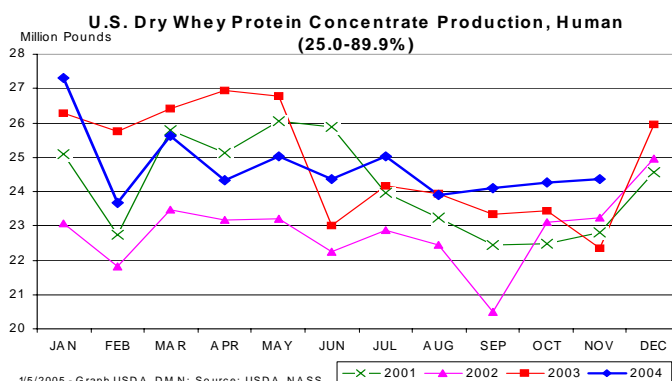
Western prices for dry buttermilk are holding mostly steady in generally light spot trading. Production schedules remain active to handle the solids that the seasonally high butter output is generating. Some buyers are assessing the current market situation to see if this is a good time to put extra loads away. The uncertainty about future pricing and availability remains the biggest concerns. Also compounding the decision is the price strength and lower availability of nonfat dry milk. Producers' stocks are light to moderate. A year ago, Western mostly buttermilk prices were \$.85 - .87.

F.O.B. WEST: .8900 - .9400 MOSTLY: .9000 - .9100

**DRY WHOLE MILK - NATIONAL**

Prices are unchanged to lower this week as some producers adjust their prices in an attempt to attract some interest. The market tone is unchanged. Production levels remain light and geared toward meeting contracts. Demand is fair at best and plant stocks are well balanced. Prices remain nominal. As a comparison, dry whole milk price at this time last year were \$1.0925 - 1.2200.

F.O.B. PRODUCING PLANT: 1.2800 - 1.4100



**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are unchanged on a steady market. Trade activity is very light. Offering prices are reported at the average or at standard premiums for the fair interest. Traders suggest that the availability of whey is an indicator that the market will trend steady at best. Some buyers continue to speculate that the market may trend weaker in the typical slow period of February. Producers indicate that good export opportunities may encourage tighter supplies. Production is steady. Mostly prices for Report 3 in 2004 were .1700 - .1825.

F.O.B. CENTRAL: .2400 - .2500 MOSTLY: .2400 - .2450

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices and the market tone are unchanged. However, some contacts see some firmness returning to the market, particularly on the supply side. Most Eastern producers report a tight supply situation and some are sold out for the first quarter. Most producers eagerly purchase liquid/condensed whey from other cheese makers to supplement their own supply. Currently, there is little liquid whey being offered, which continues to have an impact on dry whey output in the East. Demand is fair to good domestically and export interest remains good. A year ago, the Northeast dry whey price was \$.1825 - \$.2100.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2475 - .2650  
DELVD SOUTHEAST: .2700 - .2825

**DRY WHEY - WEST**

Prices are steady for Western whey powder. The market continues to be rated as steady by most contacts with somewhat of a firm undertone. Export sales and shipments are continuing at a pace that is better than at the end of the year. Buyers complain about the price and then ask when can it be shipped. There continue to be few alternative whey sources in the world. Domestic sales are good. Supplies seem to be in the tightest position on the East Coast. Powder production is about steady, but at levels somewhat less than anticipated. Stocks are generally in close balance though some firms are stating that they have some powder available for the first time in a long time. The Western mostly average price in January 2004 was \$.1686.

NONHYGROSCOPIC: .2450 - .2750 MOSTLY: .2550 - .2650

**ANIMAL FEED WHEY - CENTRAL**

Prices remain unchanged and nominal on a steady market. Supplies are limited. Trade activity is reportedly light. Traders state that supplies are sometimes difficult to move as buyers are not willing to pay producer prices offered. Prices for Report 3 in 2004 were .1650 - .1700.

F.O.B. CENTRAL:  
MILK REPLACER: .2000 - .2200

**Commencing Report 15 (April 8, 2005), Dairy Market News will be publishing a Dry Whey Permeate market. The pricing series will include an F.O.B. range for the Central and West region. Specifications are listed below.**

Moisture content. Not more than 5 percent. Milkfat content. Not more than 1.5 percent. Protein content. Not less than 2 percent and not more than 6 percent. Lactose content. Not less than 70 percent. Ash content. Not more than 10 percent.

**Commencing Report 15 (April 8, 2005), Dairy Market News will be reporting the Animal Feed Whey-Central Milk Replacer price series within the Dry Whey Central report. The Dry Whey Central Extra Grade price series will remain unchanged.**

Comments regarding changes in Dairy Market News Reports can be directed to: Don Nelson, P.O. Box 8911, Madison, WI 53708, Email: DonaldO.Nelson@usda.gov, Phone: 608-224-5079, Fax: 608-224-5078

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are unchanged on a firm market. Supplies are extremely tight. Most producers report that spot trade is not possible at the present time. Movement is occurring predominantly on a contractual basis with no estimated time frame on when a spot load might become available. Supplies of WPC 80% are available as a substitute to WPC 34%. However, WPC 80% is not comparatively priced to WPC 34% and trading at a higher per unit of protein value. Traders speculate that WPC 34% may become more readily available if and when NDM markets begin to weaken domestically and internationally. Mostly prices for Report 3 in 2004 were .5150 - .5400.

F.O.B. EXTRA GRADE 34% PROTEIN: .6600 - .7500 MOSTLY: .6800 - .7300

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a steady market. Most plants that produce higher mesh sized product are in good balance with limited spot trade activity at prices at or above the average. Plants that produce lower mesh sized product are able to offer spot loads for the fair interest at prices at or below the average. Some feed buyers are taking interest in lactose due to the difficulty in obtaining dry permeate and whey. Lactose production is mostly steady. Mostly prices for Report 3 in 2005 were .2200 - .2300.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1550 - .2100 MOSTLY: .1600 - .1900

**CASEIN - NATIONAL**

Casein markets remain firm with prices generally unchanged. Overall casein production in Oceania is lower than anticipated due to milk production trends lower than projected. In Europe, production is at low levels, although the new production season is just about to get under way. Producers and handlers are optimistic about the upcoming season. International supplies of casein are not as available as usual, thus European producers are hopeful that during the upcoming season, they will be able to enhance their output to better meet buyer needs. Currently, acid casein is in short supply with rennet not quite as limited. No new invitations to sell government owned nonfat dry milk for the production of casein/caseinate have been issued. Current prices compare to a price range of \$2.2500 - \$2.4000 for rennet and \$2.2500 - \$2.4500 for acid during the comparable week last year.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.0000 - 3.3000  
ACID: 3.0000 - 3.3000

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Production patterns are steady in most parts of the country. It is a little surprising to some contacts that surplus milk volumes seemed to have dried up as quickly as they have. For some producers, finding desired volumes of milk is not as easy as they expected at this time of year. Others, with their own milk supply, have adequate volumes. Also, the Class IV milk price is quite high and some producers are waiting for February's price to make more evaporated milk. That February price is expected to be lower and more favorable to rebuilding inventories. Demand is slow to fair and typical for this time of year.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	01/05	01/06	01/07	01/10	01/11	01/12	01/13	01/14	01/17	01/18
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
JAN 05	13.75 (3368) 214	13.72 (3230) 240	13.85 (3224) 28	13.90 (3107) 229	13.95 (3063) 11	13.98 (3088) 67	14.06 (3100) 27	14.00 (3101) 21	NO TRADING	14.08 (3081) 69
FEB 05	14.24 (3423) 425	14.13 (3546) 265	14.16 (3506) 281	14.62 (3565) 506	14.98 (3736) 446	15.05 (3826) 330	15.25 (3823) 461	15.42 (3915) 421		15.46 (3944) 512
MAR 05	13.95 (3043) 122	13.86 (3119) 166	13.87 (3132) 182	14.30 (3223) 270	14.81 (3410) 367	14.86 (3525) 395	15.16 (3455) 223	15.25 (3617) 342		15.18 (3691) 554
APR 05	13.94 (2049) 152	13.79 (2074) 92	13.70 (2161) 171	14.09 (2291) 289	14.80 (2327) 228	14.66 (2474) 285	14.85 (2519) 157	15.00 (2619) 176		14.89 (2771) 225
MAY 05	13.83 (1913) 88	13.63 (1918) 48	13.65 (1970) 135	13.80 (2031) 172	13.95 (2054) 208	13.85 (2114) 88	13.90 (2143) 77	14.00 (2172) 96		13.98 (2248) 120
JUN 05	13.69 (1526) 47	13.65 (1535) 31	13.61 (1565) 68	13.65 (1654) 199	13.74 (1655) 196	13.65 (1715) 96	13.65 (1726) 67	13.75 (1763) 69		13.75 (1835) 120
JUL 05	13.77 (1256) 77	13.77 (1256) 12	13.72 (1278) 39	13.73 (1433) 189	13.85 (1488) 94	13.75 (1502) 78	13.75 (1522) 69	13.80 (1562) 142		13.79 (1625) 94
AUG 05	13.95 (1294) 51	13.95 (1311) 27	13.90 (1330) 39	13.95 (1482) 202	14.05 (1498) 35	13.95 (1532) 66	13.95 (1566) 54	13.94 (1605) 140		14.05 (1637) 59
SEP 05	14.05 (1283) 53	14.04 (1284) 15	14.02 (1318) 34	14.02 (1499) 268	14.15 (1540) 77	14.05 (1568) 67	14.05 (1611) 65	14.15 (1635) 93		14.14 (1661) 40
OCT 05	13.25 (961) 50	13.25 (990) 55	13.21 (991) 2	13.26 (1030) 72	13.40 (1059) 44	13.30 (1073) 49	13.50 (1096) 42	13.66 (1118) 95		13.56 (1118) 8
NOV 05	12.70 (618) 46	12.70 (658) 53	12.75 (659) 3	12.80 (666) 20	12.80 (689) 27	12.80 (688) 12	12.85 (692) 10	12.90 (695) 52		12.90 (704) 18
DEC 05	12.45 (634) 41	12.45 (672) 52	12.50 (672) 0	12.50 (671) 24	12.50 (695) 26	12.50 (695) 11	12.55 (695) 5	12.57 (699) 50		12.62 (703) 18
JAN 06	12.10 (29) 2	12.10 (29) 0	12.10 (29) 1	12.20 (31) 3	12.40 (33) 2	12.40 (37) 7	12.50 (37) 0	12.50 (37) 1		12.50 (35) 3
FEB 06	12.08 (16) 0	12.08 (16) 0	12.08 (16) 0	12.20 (17) 1	12.40 (17) 0	12.40 (18) 7	12.50 (18) 0	12.50 (18) 0		12.50 (17) 3
MAR 06	12.08 (12) 0	12.08 (12) 0	12.08 (12) 0	12.20 (12) 1	12.40 (12) 0	12.40 (16) 7	12.50 (18) 2	12.50 (18) 0		12.50 (16) 3
APR 06	12.05 (12) 0	12.05 (12) 0	12.05 (12) 0	12.15 (12) 1	12.40 (12) 0	12.40 (13) 5	12.40 (13) 0	12.40 (13) 0		12.40 (12) 3
MAY 06	12.03 (6) 0	12.03 (6) 0	12.03 (6) 0	12.15 (7) 1	12.40 (7) 0	12.40 (7) 5	12.40 (7) 0	12.40 (7) 0		12.40 (5) 3
JUN 06	12.03 (2) 0	12.03 (2) 0	12.03 (2) 0	12.08 (3) 1	12.40 (3) 0	12.40 (7) 5	12.40 (7) 0	12.40 (7) 0		12.40 (4) 3
JUL 06	12.50 (2) 0	12.50 (2) 0	12.50 (2) 0	12.55 (3) 1	12.55 (3) 0	12.60 (3) 0	12.60 (3) 0	12.60 (3) 0		12.60 (3) 0

**CME - (CLASS IV) MILK FUTURES - Dollars per cwt.**

JAN 05	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	NO TRADING	12.35 (9) 0
FEB 05	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0	12.35 (9) 0		12.35 (9) 0
MAR 05	12.30 (7) 0	12.30 (7) 0	12.30 (7) 0	12.30 (7) 0	12.30 (7) 0	12.30 (7) 0	12.30 (7) 0	12.30 (7) 0		12.30 (7) 0
APR 05	11.76 (7) 0	11.76 (7) 0	11.76 (7) 0	12.00 (7) 0	12.25 (7) 0	12.25 (7) 0	12.25 (7) 0	12.25 (7) 0		12.25 (7) 0
MAY 05	11.76 (5) 0	11.76 (5) 0	11.76 (5) 0	12.00 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0		12.25 (5) 0
JUN 05	11.76 (5) 0	11.76 (5) 0	11.76 (5) 0	12.00 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0		12.25 (5) 0
SEP 05	11.76 (1) 0	11.76 (1) 0	11.76 (1) 0	12.00 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0		12.25 (1) 0
OCT 05	11.76 (5) 0	11.76 (5) 0	11.76 (5) 0	12.00 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0		12.25 (5) 0
NOV 05	11.76 (6) 0	11.76 (6) 0	11.76 (6) 0	12.00 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0		12.25 (6) 0

**CME - BUTTER FUTURES -- Cents per pound**

MAR 05	159.50 (209) 21	155.50 (210) 8	157.00 (216) 6	162.00 (222) 6	163.00 (227) 9	164.00 (233) 10	166.00 (235) 2	166.45 (235) 0	NO TRADING	166.25 (236) 3
MAY 05	160.00 (121) 6	156.00 (119) 0	156.00 (123) 4	161.00 (132) 11	164.00 (135) 3	164.00 (139) 4	166.00 (141) 2	164.00 (141) 0		164.00 (141) 1
JUL 05	160.00 (62) 3	156.00 (65) 3	157.75 (69) 6	162.75 (70) 4	165.00 (72) 2	165.00 (76) 4	167.00 (78) 2	165.00 (77) 0		165.00 (79) 4
SEP 05	160.00 (32) 1	159.50 (32) 2	159.25 (32) 0	161.00 (32) 0	163.00 (34) 2	165.00 (34) 0	165.00 (35) 4	165.00 (35) 0		165.00 (40) 5
OCT 05	160.00 (14) 0	159.00 (14) 0	159.00 (14) 0	159.00 (14) 0	160.00 (14) 0	161.25 (17) 3	166.00 (17) 0	166.00 (17) 0		166.00 (18) 1

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

## INTERNATIONAL DAIRY MARKET NEWS

Information gathered January 10 - 21, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**WESTERN EUROPEAN OVERVIEW:** Milk production patterns across Europe are seasonally low and are on the eve of seasonal increases. For the most part, production is trailing last season, although in recent weeks, production trends are showing strength. Producers continue to monitor their production volumes as the milk quota year end nears. Reports indicate that producers in Germany, Austria, and Denmark are running ahead of quota volumes, thus adjustments will need to be made to avoid quota penalties. In most instances, producers and handlers are looking forward to the 2005 -2006 production season with optimism. The European dairy market situation is undergoing some changes from recent months. Prices are unchanged to weaker, export refunds are being adjusted, the Euro is weaker, and international buyers are returning to the market place. On January 13, the EU Dairy Management Committee met and adjusted two export refunds. The committee increased the skim milk powder refund by 10 Euros to 280 Euros per ton and reduced the butteroil refund by 10 Euros to 1630 per ton. The Euro continues to weaken against the U.S. dollar and is now down to levels that occurred in November. Traders and handlers look at these changes as major contributing factors in the renewed buyer interest. Prices have weakened to the point that they are nearly at intervention levels. Traders and handlers feel that prices have declined significantly and they do not foresee much, if any, further weakness. Stocks, although not excessive, are available for buyer interest. Traders report that most current buyer interest is for second quarter deliveries when stocks should be more available as the new milk production season develops. Some buyers, are reaching to intervention stocks for supplemental volumes. At the most recent Management Committee meeting, they sold slightly more than 1400 MT of butter and 40 MT of skim milk powder out of intervention stocks.

**BUTTER/BUTTEROIL:** European butter prices are unchanged to lower with a weak market tone. Stocks are available for domestic and international buyer interest. Current churning activity is seasonally low, thus most orders are being filled from inventoried stocks. At the January 13th Dairy Management Committee meeting, the butteroil export refund was reduced by 10 Euros to 1630 per MT. At the same meeting, they sold slightly more than 1400 MT of intervention butter back to the trade.

82% BUTTERFAT: 1,900 - 2,100  
99% BUTTERFAT: 2,100 - 2,450

**SKIM MILK POWDER (SMP):** European skim milk powder markets are weak with prices unchanged to lower. At the January 13th EU Dairy Management Committee meeting, the export refund was increased 10 Euros to 280 per MT. Traders and handlers feel that this refund adjustment, along with a weak Euro and overall lower prices are once again stimulating international buyer interest. Buyers are returning to the market place for second quarter needs. Stocks are available for immediate shipment, although by second quarter, the new production should be available.

1.25% BUTTERFAT: 2,150 - 2,300

**WHOLE MILK POWDER (WMP):** European whole milk powder markets are steady to weak. Prices are unchanged to lower. Traders and handlers are reporting that due to weakness in prices, a weak Euro, and probable need, international buyers are returning to the market. Although sales activity is not significant at this time, traders state that buyers are looking for second quarter needs. Stocks are available for immediate shipment and additional supplies will be becoming available as the new milk production season resumes soon.

26% BUTTERFAT: 2,175 - 2,300

**SWEET WHEY POWDER:** Whey powder markets are steady to weak with prices unchanged to lower. Cheese production is seasonally low. Some cheese makers are taking advantage of available milk supplies at this time of the year, thus fresh whey volumes are available but not significant. Most sales activity is centered around domestic or internal needs with international buyers still absent from the European market.

NONHYGROSCOPIC: 600 - 700

**EASTERN EUROPEAN OVERVIEW:** Milk production patterns in Eastern Europe are at seasonally low levels, although producers and handlers are preparing for the new production season which is about to begin. Recent reports indicate that overall milk volumes are steady with or slightly higher than last

## OCEANIA

**OCEANIA OVERVIEW:** Oceania milk production continues to edge lower seasonally. Weather conditions in both Australia and New Zealand have not been overly favorable for milk production on the downside of the season. In New Zealand, measurable rainfall occurred during the Christmas/New Years holidays, but within the past week or so, conditions have improved. Reports continue to indicate that output in New Zealand is trailing last year at this time. New Zealand producers and handlers remain optimistic that the second half of the season will be positive. In Australia, hot temperatures have been recorded within the past few weeks, but these high temperatures have now moderated. Milk production reports indicate that overall milk volumes are trailing last year also. November production totals are soon to be released with producers and handlers feeling that milk receipts during the month were lower than last year. Milk volumes in Oceania have been lower than anticipated this season, thus stocks of manufactured dairy products are in close balance and sometimes short of full needs. Handlers and traders indicate that most stocks have been fully committed for the balance of the season, with some even looking to next season to fully meet their current commitments. At this point, many Oceania handlers and traders indicate that they will be very pleased if they are able to fully fill known commitments let alone acknowledge potential spot buyer interest.

**BUTTER:** Oceania butter markets remain firm, with prices unchanged to slightly higher. Stocks of butter are reported to be in close balance and, in instances, short of full needs. Traders and handlers are hopeful that they will be able to fully acknowledge already made commitments. Some state that they are fully committed for the balance of the season with others indicating that it will be late in the season before they will be able to consider spot sales.

82% BUTTERFAT: 1,975 - 2,400

**CHEDDAR CHEESE:** Cheese markets remain firm with prices unchanged to higher. As with most other Oceania manufactured dairy products, cheese supplies are also in close balance with demand. In most instances, cheese stocks are sufficient to maintain regular shipments, although suppliers and handlers indicate that there is not much uncommitted stock at this time. Many handlers and traders feel that they will have adequate volumes for commitments, but will have very little, if any at all, available for spot buyer interest later in the season.

39% MAXIMUM MOISTURE: 2,650 - 2,900

**SKIM MILK POWDER (SMP):** Skim milk powder markets are steady to firm with prices unchanged to higher. Stocks are in close balance for steady, regular customer needs. Handlers and traders report that new international buyer interest remains slow, although most feel that buyers are fully aware of the lack of Oceania supply. Producers and handlers state that milk production is on the down side, thus overall production of powder is also lower. Many are hopeful that the last half of the production season will be more positive than the first half, although at this time, the situation is not overly favorable.

1.25% BUTTERFAT: 2,150 - 2,300

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are steady to firm. Prices are unchanged to slightly higher. Powder demand is basically unchanged from recent weeks. Most sales and shipments continue to center around regular and ongoing customer needs. Stocks of powder are in close balance. Handlers and traders are hopeful that they will have sufficient stocks to fulfill existing commitments as the production season winds down.

26% BUTTERFAT: 2,150 - 2,400

Exchange rates for selected foreign currencies: January 18, 2004

.8169 Canadian Dollar	.0229 Indian Rupee
.3406 Argentina Peso	.6953 New Zealand Dollar
.0889 Mexican Peso	.7556 Australian Dollar
.3183 Polish Zloty	.0098 Japanese Yen
	1.3023 Euro

To compare the value of 1 US Dollar to Mexican Pesos:  $(1/.0889) = 11.2486$   
That is 1 US Dollar equals 11.2486 Mexican Pesos. Source: "Wall Street Journal"

**EASTERN OVERVIEW CONTINUED:** year at this time. Traders and handlers from the region indicate that prices are adjusting lower which should help stimulate buyer interest. Stocks are available for immediate shipment, although most buyer interest is for a few months in the future.



## DECEMBER MILK PRODUCTION

Milk production in the 20 major states during December totaled 12.4 billion pounds, up 1.0 percent from December 2003. November revised production, at 11.9 billion pounds, was up 1.2 percent from November 2003. The November revision represented an increase of 5 million pounds from last month's preliminary production estimate. Production per cow in the 20 states averaged 1,602 pounds for December, 6 pounds above December 2003. The number of milk cows on farms in the 20 states was 7.76 million head, 47,000 head more than December 2003, but 4,000 head less than November 2004. Milk production in the U.S. during the October-December quarter totaled 41.9 billion pounds, up 0.9 percent from the October-December quarter last year. The average number of milk cows in the U.S. during the quarter was 9.02 million head, 7,000 head more than the same period last year.

STATE	MILK COWS <sup>1/ 2/</sup>				MILK PRODUCTION <sup>1/ 3/</sup>			
	DECEMBER		OCTOBER-DECEMBER		DECEMBER		OCTOBER-DECEMBER	
	2003	2004	2003	2004	2004	% CHANGE FROM 2003	2004	% CHANGE FROM 2003
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	--	--	18	17	--	--	56	-6.7
AK	--	--	1.2	1.2	--	--	3.4	-2.9
AZ	155	166	155	167	314	6.8	906	8.1
AR	--	--	28	26	--	--	73	-8.8
CA	1,697	1,741	1,696	1,741	3,090	4.6	9,130	5.0
CO	--	--	99	102	--	--	553	2.4
CT	--	--	21	20	--	--	95	-4.0
DE	--	--	8.0	7.5	--	--	31.5	-1.6
FL	140	138	140	137	190	--	520	2.0
GA	--	--	84	84	--	--	334	-0.9
HI	--	--	6.6	5.8	--	--	17.8	-15.6
ID	412	435	412	434	774	4.3	2,301	4.2
IL	109	106	109	106	163	-5.8	474	-4.8
IN	145	155	150	154	251	1.6	735	-1.7
IA	196	188	197	189	299	-3.5	881	-3.5
KS	--	--	110	113	--	--	540	1.9
KY	112	110	112	109	118	-1.7	343	-2.0
LA	--	--	41	36	--	--	109	-7.6
ME	--	--	34	33	--	--	148	-2.0
MD	--	--	77	73	--	--	288	-4.3
MA	--	--	18	17	--	--	73	-3.9
MI	300	307	301	306	530	--	1,566	-0.6
MN	465	460	465	460	679	-1.7	1,974	-1.0
MS	--	--	29	26	--	--	87	-9.4
MO	124	119	125	120	151	-2.6	445	-2.2
MT	--	--	18	18	--	--	86	---
NE	--	--	62	61	--	--	264	-2.2
NV	--	--	26	25	--	--	121	0.8
NH	--	--	16	16	--	--	75	2.7
NJ	--	--	12	12	--	--	47	-6.0
NM	324	321	321	323	530	-5.5	1,599	-3.1
NY	657	646	661	647	959	-1.3	2,826	-1.6
NC	--	--	59	55	--	--	242	-3.2
ND	--	--	34	33	--	--	127	-3.1
OH	258	266	258	266	388	4.3	1,136	3.9
OK	--	--	81	75	--	--	297	-7.2
OR	--	--	118	120	--	--	555	3.7
PA	562	565	561	564	842	1.2	2,466	0.9
RI	--	--	1.3	1.1	--	--	4.5	-10.0
SC	--	--	18	18	--	--	69	-4.2
SD	--	--	80	80	--	--	335	4.4
TN	--	--	77	73	--	--	270	-5.3
TX	317	319	317	320	496	-0.6	1,432	1.9
UT	--	--	90	89	--	--	392	-1.5
VT	146	143	146	144	217	-1.4	632	-1.3
VA	106	104	108	104	148	4.2	430	3.9
WA	241	235	243	235	451	-1.5	1,323	-2.6
WV	--	--	14	13	--	--	49	-5.8
WI	1,247	1,236	1,249	1,237	1,842	-0.5	5,418	-0.5
WY	--	--	3.9	4.1	--	--	15.6	8.3
20 STATE TOTAL	7,713	7,760	--	--	12,432	1.0	--	--
U.S. <sup>5/ 6/</sup>	--	--	9,011	9,018	--	--	41,895	0.9

<sup>1/</sup> Preliminary. <sup>2/</sup> Includes dry cows, excludes heifers not yet fresh. <sup>3/</sup> Excludes milk sucked by calves. <sup>5/</sup> Includes states for which individual monthly estimates are not available. <sup>6/</sup> Milk cows will not add due to rounding. **SOURCE:** "Milk Production," Da 1-1 (1-05), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

## FEDERAL MILK ORDER PRICE AND POOL SUMMARY, DECEMBER

**HIGHLIGHTS** -- Handler reports of receipts and utilization under the Federal milk order system for December have been filed and tabulated. Combined totals for the 10 orders are being released. During December, about 6.9 billion pounds of milk were received from producers. This volume of milk is 30.8 percent lower than the December 2003 volume on a comparable market basis. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +0.9 percent. About 3.9 billion pounds of producer milk were used in Class I products, 1.1 percent higher than the previous year on a comparable market basis. Calendar composition had a slightly negative impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilization percentages were; Class I = 57%, Class II = 15%, Class III = 13%, and Class IV = 15%. The weighted average statistical uniform price was \$16.00 per cwt., \$0.25 higher than last month, and \$2.43 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF DECEMBER 2004										
FEDERAL MILK ORDER MARKETING AREA <sup>1/</sup>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <sup>2/</sup>
		TOTAL	CHANGE FROM PREV. YEAR <sup>3/</sup>	TOTAL	CHANGE FROM PREV. YEAR <sup>3/</sup>	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,893.7	-6.0	937.9	-0.1	50	17	22	11	16.43
Appalachian (Charlotte)	005 <sup>4/</sup>	488.4	-11.5	370.7	-3.0	76	14	2	8	16.98
Southeast (Atlanta)	007	565.3	-8.9	400.8	-0.1	71	10	11	8	17.03
Florida (Tampa)	006	259.7	3.6	222.3	2.1	86	9	1	4	18.00
Mideast (Cleveland)	033 <sup>4/</sup>	984.4	-32.4	573.9	2.2	58	22	13	7	15.52
Upper Midwest (Chicago)	030 <sup>4/</sup>	667.4	-68.6	395.5	2.6	59	15	6	20	15.19
Central (Kansas City)	032 <sup>4/</sup>	713.2	-42.5	376.8	0.0	53	16	15	16	15.26
Southwest (Dallas)	126 <sup>4/</sup>	632.0	-23.0	361.1	5.6	57	14	1	28	15.67
Arizona-Las Vegas (Phoenix)	131	246.9	-4.9	87.5	2.2	35	7	29	29	15.55
Pacific Northwest (Seattle)	124 <sup>4/</sup>	442.5	-28.1	190.4	4.4	43	8	8	41	14.83
<b>ALL MARKET AVERAGE OR TOTAL</b>	<b><sup>3/</sup> <sup>4/</sup></b>	<b>6,893.4</b>	<b>-30.8</b>	<b>3,916.9</b>	<b>1.1</b>	<b>57</b>	<b>15</b>	<b>13</b>	<b>15</b>	<b>16.00</b>

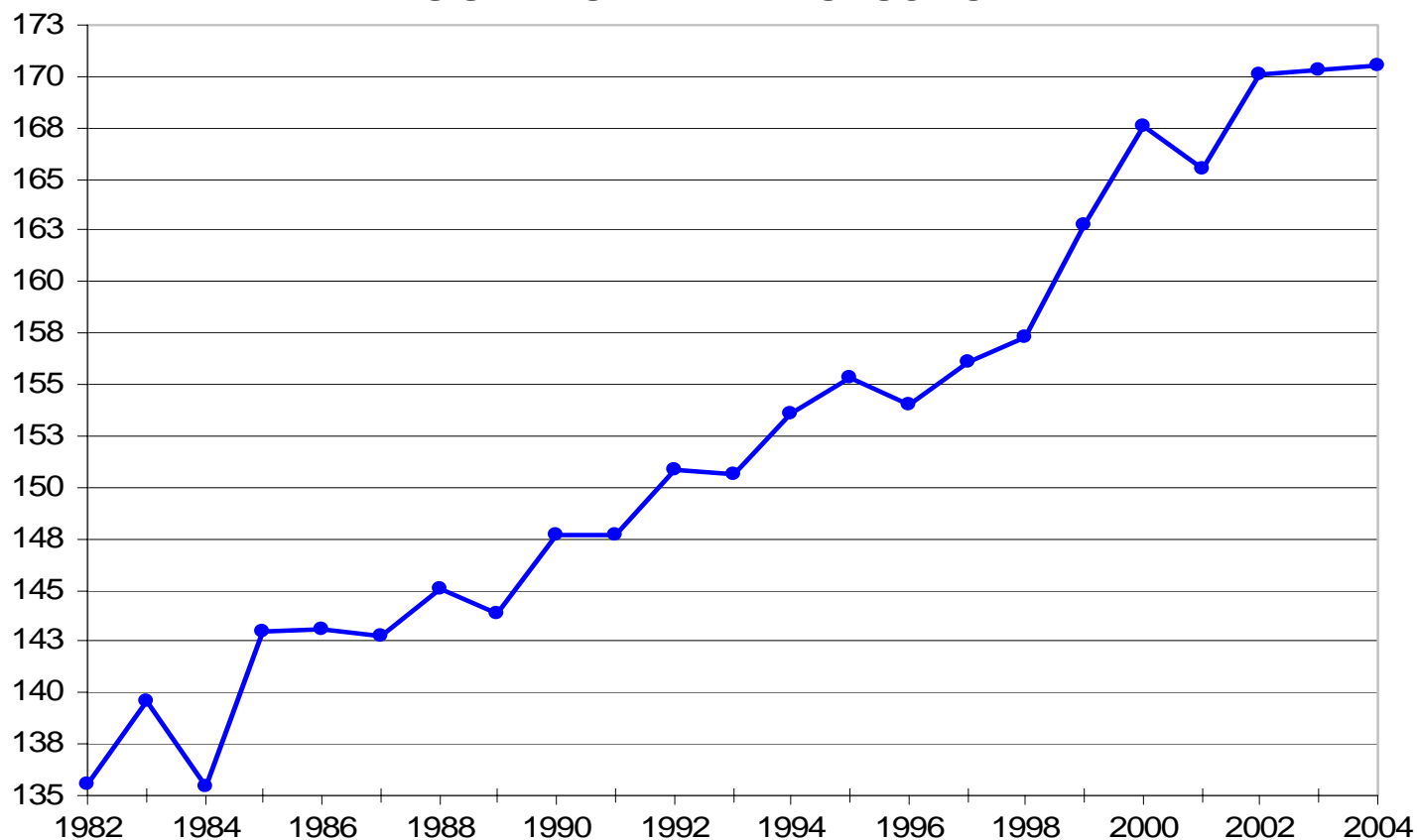
<sup>1/</sup> Names in parentheses are the major city in the principal pricing point of the market.

<sup>2/</sup> Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

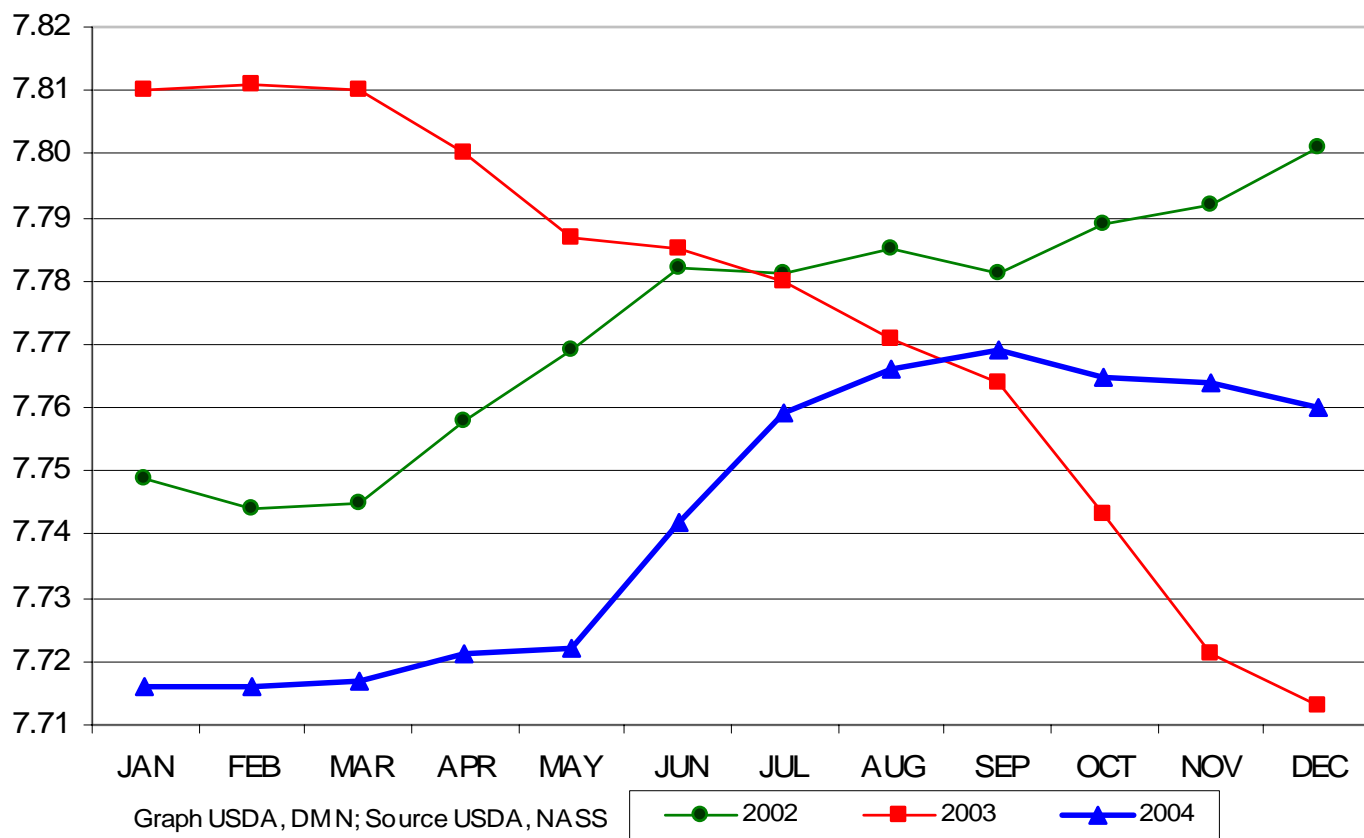
<sup>3/</sup> Percent changes from the previous year are based on the same group of comparable markets—markets where the orders were in effect for both years. Excludes the Western Federal milk order which was terminated effective April 1, 2004.

<sup>4/</sup> Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 3.1 billion pounds of milk that normally would have been associated with these markets. In December 2003, the estimated not-pooled volume of milk was administratively confidential. After adjusting for these not-pooled volumes, the year-to-year percent change is +0.9.

Billion Pounds

**U.S. ANNUAL MILK PRODUCTION**

Million Head

**MILK COW NUMBERS - 20 MAJOR STATES**

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF JANUARY 17 - 21, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 01/14/05	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	-0-	-0-	-0-	31,817,269	172,965,212	-0-	874,135,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
<b>TOTAL</b>	-0-	-0-	-0-	31,817,269	172,846,164	-0-	920,526,000

**MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)**

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 17 - 21, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	2.8	150.3
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	38.0	2,011.9
CUMULATIVE JANUARY 1 - 21, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	12.5	662.7

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

**CCC ADJUSTED PURCHASES FOR THE WEEK OF JANUARY 17 - 21, 2005 (POUNDS)**

	BUTTER			CHEESE			NONFAT DRY MILK	
REGION	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

**CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
REGION	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	2,606,034	4.2	1.5
WEST	-0-	-0-	-0-	-0-	29,415,099	166,732,925	92.4	96.5
EAST	-0-	-0-	-0-	-0-	1,070,603	3,507,205	3.4	2.0
<b>TOTAL</b>	-0-	-0-	-0-	-0-	31,817,269	172,846,164	100.0	100.0

**NDM SELLBACK TO THE TRADE** The cumulative sellback total for 2005 is 0 pounds.

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002**

**MANUFACTURING MILK** Average Test 3.67% - \$9.90 per cwt.

**BUTTER** Bulk \$1.0500 per pound; 1# Prints \$1.0850

**CHEESE** 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

**NONFAT DRY MILK** Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

**U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/01/05 & Comparable Week 2004**

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2005-Dairy	0.0	0.7	5.9	2.7	13.8	3.3	0.7	0.6	12.6	2.3	42.7	42.7
2004-Dairy	1.0	0.6	6.0	3.4	13.7	1.5	0.2	0.6	8.5	0.8	35.3	35.3
2005-All cows	0.0	0.7	7.3	9.8	28.0	8.9	10.5	3.3	13.3	4.2	86.1	86.1
2004-All cows	0.1	0.7	7.9	9.0	24.2	11.7	13.7	2.6	9.0	3.9	82.8	82.8

**SOURCE** The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

**CLASS III MILK PRICES, (3.5% BF)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

**FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2005
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94	14.78	14.29	14.43	16.65
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13	13.66	13.57	14.09	13.98	
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14	
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46	13.00	12.81	13.34	13.42	

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoss/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoss/mib/cls_prod_cmp_pr.htm)